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General Dynamics' Accuser

Veliotis Kept Phone Tapes

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ATHENS — For more than a year, a steady stream of Federal investigators has sought audience with Panagiotis Takis Veliotis. Though he was first viewed with skepticism, many visitors to his villa in Ekali, this city's richest suburb, have now come to believe that he holds evidence of vast corruption in the United States defense industry.

Indications are that this may not be idle musing. Though Mr. Veliotis, a 58-year-old former manager of the General Dynamics Corporation's Electric Boat division, lives with the taint of having fled to his native Greece just before a 1983 Federal indictment on kickback charges, he possesses voluminous private records from his decade in the top echelon of General Dynamics, the United States' largest weapons builder.

After months of Congressional hearings and Justice Department scrutiny, his status as a fugitive has become secondary to his curatorship of these documents, which include extensive recordings of his business phone calls. Investigators have found the cache to be an almost bottomless source of information about reportedly fraudulent activity at General Dynamics and the Pentagon.

In the course of three days of interviews at his home, during which he discussed the entire range of charges against the company, as well as his own indictment, Mr. Veliotis presented stark personal contrasts. On the one hand, he is an aristocratic and broadly educated professional, with

an engineering degree from Greece's Royal Naval Academy. At the same time, he freely admitted having inflated the estimated costs of General Dynamics shipbuilding work to obtain higher Government subsidies.

'Maybe a Little Crazy'

"I took the company line," he said of his involvement in this and other schemes. For his own part, he said he blamed personal ambition, defense industry norms and his being "maybe a little crazy."

General Dynamics officials, for their part, have continually maintained that the Veliotis allegations are false and self-serving. But as investigators from the Federal Government and the press have gradually obtained independent confirmation of some of his charges, the company has become more defensive. And Mr. Veliotis has grown more relaxed and assured.

Of the records that he keeps in an Athens bank vault, the telephone tapes have proved the most dramatic, if not yet the most damaging to General Dynamics. Mr. Veliotis said he had given 90 percent of his surreptitious recordings to the Justice Department and 60 percent to a reporter for The Washington Post who is writing a book about the company.

He said he had kept about five hours of taped business conversations that he feels are severely damaging to top General Dynamics executives and Government officials. He will release these tapes, he said, if the Justice Department "doesn't play it straight."

Bulletproof Windows

His lawyers have also been instructed, he added, to release them upon his death. He said three attempts have been made to kill him since his return to Greece. The lavish Ekali residence was built with se-

curity in mind — it has bulletproof windows, extensive alarm systems and is just down the hill from the home of Constantine Karamanlis, a family friend and former President of Greece.

For a year, Justice Department investigators have made repeated visits to Athens to question Mr. Veliotis and decipher his tapes. Early on, the department granted him immunity against charges in a single area — possibly fraudulent filing of claims to recover huge cost overruns on Navy submarine contracts in the 1970's. As manager of Electric Boat in Groton, Conn., from 1977 to 1981, he played a part in defending the claims. Now he is playing a central role in asserting they are bogus.

He said he believes the documents must inevitably lead toward indictments of current General Dynamics officials. His only fear, he said, is that the Reagan Administration might choose to hobble the Justice Department inquiry in some way, perhaps by thinning its budget or scattering its personnel.

A previous Justice Department investigation of the submarine claims ended in 1981 without prosecution. Mr. Veliotis said Electric Boat had been able to overwhelm Government lawyers in that case by responding to their subpoenas for company records with vast amounts of technical paperwork, much of it irrelevant. He also maintained that the company had obtained from a Justice Department lawyer a copy of the prosecutor's brief, which General Dynamics lawyers then used to shape their defensive strategy.

Questions May Linger

On this and other obviously contentious assertions, Mr. Veliotis spoke with disarming casualness, as if describing everyday business. Even if nothing is finally proved, the question will linger of how such a seemingly

amoral attitude could flourish for years at the highest levels of the defense industry. It is a question that has not escaped Mr. Veliotis himself, though his answer is essentially self-excusing — that such practices are common in the industry.

He said he was interested neither in "bringing down General Dynamics," nor in returning to America to reclaim some \$9 million in personal assets frozen by the courts. He said he hoped his allegations would lead to reform in Pentagon weapons procurement, a process he described as being plagued by abuse.

There appear to be two clear targets of his elaborate ballet with Federal investigators: Hyman G. Rickover, the retired admiral who was a key figure in the Navy's nuclear submarine program, and David S. Lewis, chairman and chief executive of General Dynamics. Both are repeatedly the subjects of deep expressions of contempt from the former shipyard manager.

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His animosity toward Admiral Rickover was well known in military-industrial circles during his tenure at Electric Boat, and by all accounts the sentiment was mutual. Electric Boat documents released last summer by a Senate committee showed that the yard was in desperately poor condition until the late 1970's, when Mr. Veliotis was able to bring major improvements. The two men were arguably the most powerful figures in the nation's most vital strategic program.

But Mr. Veliotis, who prides himself on being a technologist as well as a manager, described repeated clashes with the admiral over how to build submarines. There was also the matter of what he described as both a long-term pattern of corporate gift-giving to Admiral Rickover, as well as pandering to the admiral's personal whims during sea trials. Supported partly by documents provided by Mr. Veliotis, a House committee has already verified one instance in which jewelry was purchased by General Dynamics for the admiral's wife.

Admiral Rickover has acknowledged receiving such gifts, but maintained that they had no effect on his relationship with the contractor.

Mr. Veliotis's disdain for David Lewis is based partly on a belief that the General Dynamics chairman quashed his hopes to rise to the top of the corporation.

Not surprisingly, the subject of his Federal indictment is one of the few issues on which Mr. Veliotis commented only sparingly. Accused of receiving \$1.3 million in kickbacks from a subcontractor while managing General Dynamics' Quincy, Mass., shipyard in the early 1970's, Mr. Veliotis staunchly maintained that he made no personal gain in such a scheme. He did not directly deny that money changed hands in some form, but asserted he had been "double-crossed" in a manner that he believes will be explained when James H. Gilliland, a former Quincy engineer, stands trial on similar charges.

A man with rigidly anti-Soviet politics and an acknowledged affection for the American way of life, Mr. Veliotis tolerated no suggestion that he might be perceived in the United States as a security risk. His broad technical knowledge of Navy submarines is known to be of concern to the Central Intelligence Agency. But though he discussed ways in which he believes Soviet submarine technology may be ahead of American designs — mostly due, he charged, to Navy reluctance to try new techniques — he dismissed the C.I.A.'s fears.

In the months to come, Mr. Veliotis said he would be willing to testify before Congressional committees or for the Justice Department, if procedures that would protect his freedom could be arranged.